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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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PEGASUS INTEGRATED CONSULTING, CORP.,

Plaintiff,

-against-

RUE 21, INC.

Defendant.
-----X

Case No. 07 CV 3245 (WHP)

[N.Y. Sup. Ct. N.Y. County
Index No. 07/601111]

REPLY AFFIDAVIT OF MICHAEL DAYIEB

STATE OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

Michael Dayieb, being duly sworn, hereby deposes and says:

1. I am Vendor Relations Supervisor of defendant rue21, Inc. ("rue21"). I have held that position since June 2004. I make this affidavit on behalf of rue21 and in further support of Defendant rue21's Motion to Dismiss or Transfer (the "Motion"), filed May 30, 2007.

2. I have personal knowledge of the facts set forth below except those facts that are set forth on information and belief and the basis for my belief is my review of the records prepared during the ordinary course of business by my colleagues. I am prepared to testify on any of the matters set forth below if called as a witness in this matter.

3. rue21 is a clothing retailer that purchases goods from various vendors for resale to consumers. rue21 currently owns and operates over 300 retail clothing stores. As rue21's Vendor Relations Supervisor, I deal with rue21's vendors ("Vendors") on an ongoing basis.

4. rue21 purchases goods from various Vendors for resale to consumers, virtually always pursuant to a standard form of purchase order (the "Purchase Order"), a blank example of which is attached as Exhibit A to the Affidavit of Keith McDonough filed in the above-captioned action on May 30, 2007 ("McDonough Affidavit"). The face of the purchase order, conspicuously, in all capital letters and in bold print, specifies that the Terms and Conditions on the face and reverse side of the Purchase Order ("Terms and Conditions") and the Vendor Compliance Manual are part of the Purchase Order.

5. rue21's current Vendor Compliance Manual is attached as Exhibit B to the McDonough Affidavit. As shown therein, a copy of both sides of the Purchase Order also is included as part of the Vendor Compliance Manual, at pages D-1 and D-2.

6. The above-captioned case involves rue21's Purchase Orders with two Vendors, Hung Tat Industrial Development Co. ("Hung Tat") and Khaotik, Inc. ("Khaotik").

7. Upon information and belief, Hung Tat was a new Vendor for rue21 in approximately the end of January 2006, although rue21 had dealt with Frank Chih, a representative of Hung Tat, for many years with respect to other entities Mr. Chih represented.

8. Because Hung Tat was a new Vendor for rue21, on or about February 3, 2006, I sent Hung Tat a copy of the then-current Vendor Compliance Manual along with rue21's standard cover letter from Keith McDonough, Senior Vice-President and Chief Financial Officer of rue21 and Kim Reynolds, Senior Vice-President and General Merchandising Manager of rue21, the form of which is attached hereto as Exhibit A.

9. The Vendor Compliance Manual was modified in certain respects at the end of May 2006 and a revised Vendor Compliance Manual provided to Vendors, including Hung Tat, in the beginning of June 2006. Attached hereto as Exhibit B is a copy of the cover memo dated May 30, 2006 ("May 30, 2006 Cover Letter") from Keith McDonough and Kim Reynolds, that was sent to Vendors, including Hung Tat, explaining the significant changes in the revised Vendor Compliance Manual. The revised Vendor Compliance Manual is the document attached as Exhibit B to the McDonough Affidavit. The May 30, 2006 Cover Letter does not identify any significant changes to the Purchase Order from the prior Vendor Compliance Manual because there were no such changes. In particular, there was no change to the forum selection clause that appears as Paragraph 16 of the Terms and Conditions on the reverse side of the Purchase Order.

10. The revised Vendor Compliance Manual and the May 30, 2006 Cover Letter were shipped to Hung Tat on or about June 2, 2006 and, upon information and belief, delivered to Hung Tat on or about June 6, 2006. Attached hereto as Exhibit C are shipping records showing such shipment to Hung Tat on June 2, 2006 and delivery to Hung Tat on June 6, 2006.

11. Based upon my review of the Affidavit of Frank Chih filed in this case ("Chih Affidavit"), the Hung Tat Purchase Orders at issue were written on or about March 27, 2006, May 23, 2006 and July 12, 2006. As set forth above, the then-current Vendor Compliance Manual containing both sides of the Purchase Order was provided to Hung Tat in advance of each of these Purchase Orders.

12. Upon information and belief, Khaotik was a new Vendor to rue21 in July 2006. On or about July 19, 2006, representatives of Khaotik visited rue21's headquarters to make a presentation and to write the initial orders. Carlos Gomez, Frank Chih, Efren Lopez and Janie Amoia were present on behalf of Khaotik at this meeting. During this meeting, Kim Reynolds asked me to attend a portion of the meeting and I did so. At that time, while Frank Chih, whom I had met previously, was making a presentation, I introduced myself to Carlos Gomez, provided him a copy of the Vendor Compliance Manual and asked him to review it and call me if he had any questions.

13. The Vendor Compliance Manual that I handed to Carlos Gomez on July 19, 2006, a copy of which appears as Exhibit B to the McDonough Affidavit, was the then-current version of the Vendor Compliance Manual a copy of which had been sent to Hung Tat, which Frank Chih also represented, on or about June 2, 2006.

14. My general practice is to ship a copy of the Vendor Compliance Manual to new Vendors even if I have previously provided one in person. I therefore also shipped a copy of the Vendor Compliance Manual to Khaotik on or about July 27, 2006 along with the standard form letter to new Vendors in the same form that had been sent to Hung Tat on or about February 3, 2006 and which is attached hereto as Exhibit A. This shipment was initially returned, to the best

of my recollection, because Khaotik's office may not have been finished. I therefore re-shipped the package containing the Vendor Compliance Manual and the form letter for new Vendors on or about August 15, 2006 and, upon information and belief, this package was delivered to Khaotik on or about August 21, 2006. Attached hereto as Exhibit D are shipping records showing such shipment and re-shipment and showing delivery to Khaotik on August 21, 2006. Upon information and belief, the last page of Exhibit D indicates that the package was signed for at Khaotik at its offices at 671 S. Anderson St. in Los Angeles, California by Carlos Gomez.

15. Based upon my review of the Chih Affidavit, the Khaotik Purchase Orders at issue were written on or about July 19, 2006, September 22, 2006 and October 5, 2006. As set forth above, the then-current Vendor Compliance Manual was provided to Khaotik at the time of the July 19, 2006 Orders, and provided again to Khaotik in advance of the September 22, 2006 and October 5, 2006 Orders.

16. Attached hereto as Exhibit E are invoices received from Hung Tat with respect to Hung Tat Purchase Orders 1027, 2158, 2160, 2162 and 2384. Upon information and belief, rue21 received these invoices in August, September, October or November 2006, at or shortly after the dates listed on the invoices. The invoices attached as Exhibit E are on Hung Tat letterhead and also contain a Hung Tat stamp. These invoices have not been paid.

17. Attached hereto as Exhibit F are invoices received from Hung Tat with respect to Khaotik Purchase Orders 2190 and 2636. Upon information and belief, rue21 received these invoices in November or early December 2006, at or shortly after the dates listed on the invoices. These invoices are incorrect because Khaotik was the Vendor on these Purchase Orders, not Hung Tat. These invoices have not been paid. Upon information and belief, Khaotik Purchase

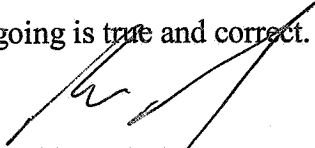
Orders 2190 and 2636 are the only Khaotik Purchase Orders as to which invoices have ever been received by rue21.

18. Attached hereto as Exhibit G is a demand letter dated January 15, 2007 and the attachments thereto (the "January 15, 2007 demand letter") from Tony C. Chang, Esquire to rue21. The January 15, 2007 demand letter was received by rue 21 shortly after January 15, 2007. The attachments to the January 15, 2007 demand letter were invoices on the letterhead of Pegasus Integrated Consulting Corp ("Pegasus") with respect to what appears to be Hung Tat Purchase Orders 1027, 2158, 2160, 2162 and 2384 and Khaotik Purchase Orders 2190 and 2636. These invoices requested rue21 to make payment to Pegasus.

19. Upon information and belief, rue21 had not received invoices from Pegasus with respect to Hung Tat Purchase Orders 1027, 2158, 2160, 2162 and 2384 and Khaotik Purchase Orders 2190 and 2636, or any other Hung Tat or Khaotik Purchase Orders, prior to the January 15, 2007 demand letter. As set forth in these Purchase Orders, Pegasus was not the Vendor with respect to these Purchase Orders. The invoices on Pegasus letterhead also have not been paid.

20. The Chih Affidavit and Exhibit 6 thereto reference certain Khaotik Purchase Orders that were cancelled, specifically Purchase Orders 2191, 2634, 2635, 3333, 3334, 3335, 3336, 3337, 3357, 3361, 3364, 3365, 3366, 4244 and 4245. Upon information and belief, rue21 has never received invoices for any of these Purchase Orders. Nor were these Purchase Orders referenced in the January 15, 2007 demand letter.

I declare under penalty of perjury that the foregoing is true and correct.

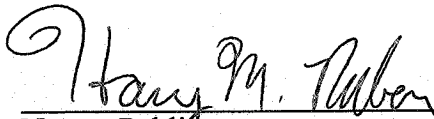


Michael Dayieb

SWORN TO AND SUBSCRIBED

BEFORE ME THIS 27th DAY

OF June, 2007.



Notary Public

My Commission Expires:

